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INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of March 1, 1975

BETWEEN

TRUST COMPANY FOR USL, INC.

*As Trustee Under
U.C. Trust No. 12*

Lessor

AND

UNION CARBIDE CORPORATION

Lessee

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LEASE OF RAILROAD EQUIPMENT

**Re: Union Carbide Corporation
(U. C. Trust No. 12)**

THIS LEASE OF RAILROAD EQUIPMENT, dated as of March 1, 1975, between TRUST COMPANY FOR USL, INC., not in its individual capacity but solely as Trustee under the Trust Agreement referred to in Section 1.01 hereof (the "Lessor"), and UNION CARBIDE CORPORATION, a New York corporation (the "Lessee");

WITNESSETH:

SECTION 1. MANUFACTURE AND DELIVERY OF EQUIPMENT.

1.01. INTENT TO LEASE AND HIRE. The Lessor, United States Leasing International, Inc., a California corporation, as agent for the Lessor (the "Agent") and Chase Manhattan Service Corporation, a New York corporation, as trustor and beneficiary (the "Trustor") have entered into a Trust Agreement dated as of March 1, 1975 (the "Trust Agreement"). Pursuant to the authorities and directions contained in the Trust Agreement, the Lessor has entered into an Acquisition Agreement dated as of March 1, 1975 (the "Acquisition Agreement") with the Lessee providing for the acquisition by the Lessor of the railroad cars (collectively the "Equipment" and individually an "Item of Equipment") described in Schedule 1 attached hereto and made a part hereof and, upon delivery of each Item of Equipment by the Manufacturer thereof (a "Manufacturer") and acceptance by the Lessee on behalf of the Lessor in accordance with the Acquisition Agreement, the lease by the Lessor of such Item of Equipment to the Lessee and the hiring by the Lessee of such Item of Equipment from the Lessor for the rental and on and subject to the terms and conditions herein set forth.

1.02. INSPECTION AND ACCEPTANCE. Upon or prior to delivery of each Item of Equipment by the Manufacturer thereof to the Lessee, the Lessee shall inspect such Item of Equipment and if such Item of Equipment, in the opinion of the Lessee, is acceptable, the Lessee will accept delivery thereof and execute and deliver to the Lessor a Certificate of Acceptance, substantially in the form of Exhibit A attached hereto and made a part hereof. Such acceptance shall be for the account of the Lessor and thereupon title to such Item of Equipment so accepted shall vest in the Lessor, and the Lessor shall own each such Item of Equipment subject, however, to this Lease.

1.03. CERTIFICATES OF ACCEPTANCE. The Lessee's execution and delivery to the Lessor of the Certificate of Acceptance with respect to each Item of Equipment shall conclusively establish as between the Lessor and the Lessee, but without prejudice to any rights either party may have against the Manufacturer thereof or against any other person (other than the Trustor and the parties to the Operative Documents as that term is defined in the Trust Agreement), that such Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding the fact that a certain lining with respect to such Item of Equipment may not yet have been installed and become a part of such Item of Equipment and notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Item of Equipment appears to be in good order and condition and appears to conform to the specifications applicable thereto and to all applicable United States Department of Transportation requirements and specifications, if any. The Lessee represents that it has no knowledge of any such defect.

1.04. LEASE SUPPLEMENTS. On or prior to the date of payment for such Item of Equipment under the Acquisition Agreement (the "Settlement Date"), the Lessee and the Lessor agree that they will enter into a Lease Supplement substantially in the form of Exhibit B attached hereto and made a part hereof which shall set forth Total Cost of such Item of Equipment (as defined in Section 2.01 hereof), the Daily Interim Rent and Periodic Rent and the Rent Payment Dates in respect of such Item of Equipment; provided, however, that no failure on the part of the Lessee to execute such a Lease Supplement shall affect the Lessee's obligations hereunder.

SECTION 2. RENTS AND PAYMENT DATES.

2.01. RENT FOR EQUIPMENT. The Lessee agrees to pay the Lessor on the dates specified in Section 2.02 hereof the following rent for each Item of Equipment designated in a Certificate of Acceptance executed and delivered pursuant to Section 1.03 hereof:

(a) **Rent for Interim Term.** An amount per day (the "Daily Interim Rent") equal to the sum obtained by multiplying (i) the Total Cost (as hereinafter defined) of such Item of Equipment by (ii) the Prime Rate (as hereinafter defined) in effect on the date five business days in New York prior to the Settlement Date for such Item of Equipment, and dividing the product obtained by 360, for the period from and including the Settlement Date to, but not including, the date of commencement of the Primary Term set forth in Section 3 hereof;

(b) **Rent for Primary Term.** Fifty semiannual installments of Periodic Rent (as hereinafter defined), each payable in arrears in an amount equal to 4.220% of the Total Cost of such Item of Equipment payable on the first through fiftieth Rent Payment Dates, *provided that*,

(i) in the event the Lenders do not make the loans to be made by them under the Loan Agreements referred to in Section 25 hereof to finance such Item of Equipment, such figure of 4.220% shall be increased to 5.480%, and

(ii) in the event the Primary Term with respect to such Item of Equipment shall not commence on the thirtieth day of a month, the first installment of Periodic Rent shall be reduced by an amount equal to the product obtained by multiplying (x) the number of days from and including the thirtieth day of a month next preceding the date of commencement of such Primary Term to but not including the date of commencement of such Primary Term by (y) an amount equal to .018384625% of the Total Cost of such Item of Equipment; and

(c) **Rent for Renewal Terms.** Semiannual installments of Periodic Rent, each payable in arrears in the amount determined in accordance with Section 23 hereof, payable on each Rent Payment Date during each Renewal Term (as defined in Section 3 hereof), if any, with respect to such Item of Equipment.

"Total Cost" of an Item of Equipment shall mean the amount of the Manufacturer's invoice therefor, including (i) the aggregate amount of all sales and use taxes therefor, if any, (ii) the cost of storage thereof, if any, for a period not exceeding seven months and ending not later than the date of acceptance of delivery by the Lessee of such Item of Equipment, (iii) the cost of transportation thereof, if any, to the point of acceptance and (iv) any and all other costs and expenses

directly relating to the manufacture of such Item of Equipment and includible, in accordance with generally accepted accounting principles, in the cost of such Item of Equipment. "Periodic Rent" shall mean the semiannual rentals paid by the Lessee with respect to each Item of Equipment during such Item's Primary Term and Renewal Terms, if any. "Basic Rent" shall mean Daily Interim Rent, Periodic Rent, and payments of Casualty Value and Termination Value pursuant to Section 10 hereof. "Prime Rate" shall mean the rate of interest charged from time to time by The Chase Manhattan Bank (National Association) at its principal office in New York City on short-term loans to large businesses with the highest credit standing. "Business day" shall mean a calendar day, excluding Saturdays, Sundays and other days on which banking institutions in New York City are authorized or obligated to remain closed.

2.02. RENT PAYMENT DATES. The total amount of Daily Interim Rent, if any, for each Item of Equipment delivered to the Lessee hereunder shall be due and payable on the date of commencement of the Primary Term with respect to such Item. Installments of Periodic Rent for each Item of Equipment shall be due and payable on the thirtieth day of each January and July during the Primary Term and any Renewal Term with respect to such Item, commencing with the first of such dates to occur after the date of commencement of such Primary Term. The payment dates for Periodic Rent are herein referred to as the "Rent Payment Dates".

2.03. PLACE OF RENT PAYMENT. All payments provided for in this Lease to be made by the Lessee shall be made to the Lessor in immediately available funds at Harris Trust and Savings Bank, 111 West Monroe Street, Chicago, Illinois 60690 for credit to Escrow Account No. 433-765-5, or at such other bank in the continental United States as the Lessor shall specify in writing.

2.04. NET LEASE. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or reduction thereof or set-off against rent, including, but not limited to, abatements or reductions or set-offs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the Acquisition Agreement or the Security Agreement or otherwise or against the Manufacturers of the Equipment, nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or loss of possession or loss of use or failure of title in the Lessor to the Equipment or any defect in or damage to or loss or destruction of all or any of the Equipment from whatsoever cause, any liens, encumbrances or rights of others with respect to any Equipment, the prohibition of or other restrictions against the Lessee's use of all or any of the Equipment, the taking or requisitioning of the Equipment by condemnation or otherwise, the interference with such use by any person, entity, corporation or governmental authority, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, any insolvency of or the bankruptcy, reorganization or similar proceeding against the Lessee, or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provision of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any

of the Equipment except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

SECTION 3. TERM OF THE LEASE.

The interim term of this Lease (the "Interim Term") as to each Item of Equipment shall begin on the date of delivery to and acceptance by the Lessee of such Item of Equipment and shall terminate upon the commencement of the Primary Term as to such Item. The primary term of this Lease (the "Primary Term") as to each Item of Equipment shall begin on July 30, 1975, with respect to Items of Equipment delivered to and accepted by the Lessee on July 30, 1975, and, with respect to Items of Equipment delivered to and accepted by the Lessee after July 30, 1975, on the first of the following dates to occur 30 days or more after the date of delivery to and acceptance by the Lessee of such Item of Equipment: February 3, 1976, August 3, 1976, February 1, 1977 or August 2, 1977. Subject to the provisions of Sections 10 and 13 hereof, each such Primary Term shall terminate twenty-five years after the commencement thereof, or (if such Primary Term shall not have commenced on the thirtieth day of a month) on the thirtieth day of a month next preceding the twenty-fifth anniversary of the date of commencement of such Primary Term. Each renewal term of this Lease (a "Renewal Term") pursuant to Section 23 hereof as to each Item of Equipment shall begin on the expiration of the Primary Term or, as the case may be, the next preceding Renewal Term as to such Item of Equipment and, subject to the provisions of Sections 10 and 13 hereof, shall terminate five years after the commencement of such Renewal Term.

SECTION 4. OWNERSHIP AND MARKING OF THE EQUIPMENT.

4.01. RETENTION OF TITLE. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title to the Equipment notwithstanding the delivery of the Equipment to and the possession and use of the Equipment by the Lessee.

4.02. DUTY TO NUMBER AND MARK EQUIPMENT. The Lessee will cause each Item of Equipment to be numbered with the car number as set forth in Schedule 1 and to be plainly, distinctly and conspicuously marked in letters not less than one-half inch in height as follows:

"Leased through United States Leasing International, Inc., as Agent for Trust Company for USL, Inc., Owner-Trustee, and subject to a security interest recorded with the Interstate Commerce Commission"

with appropriate changes thereof and additions thereto as from time to time be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of the Secured Party under Section 15 hereof. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked and will replace any such word or words which may be removed, defaced or destroyed promptly after a Responsible Officer (as defined in Section 11.02 hereof) shall have actual knowledge of such removal, defacing or destruction. The Lessee will not change the car number of any Item of Equipment except in accordance with a statement of new car numbers to be substituted therefor, which statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

4.03. PROHIBITION AGAINST CERTAIN DESIGNATIONS. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the

Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia of the Lessee and/or its divisions and affiliates and its or their products or descriptions thereof for the purpose of identifying the right of the Lessee to use the Equipment under this Lease or for advertising purposes, and provided further, that the Lessee may make other designations on the Equipment as may be from time to time required for assignments, subleases or other use arrangements permitted by Section 16 hereof.

4.04. INDEMNIFICATION FOR CERTAIN MARKINGS. The Lessee shall indemnify the Lessor, the Trustor and the Secured Party and their respective successors, assigns, agents and servants against any liability, loss or expense incurred by any of them as a result of any marking of the Equipment permitted by the proviso to Section 4.03 hereof, except expenses incurred in removing same at the termination of this Lease.

SECTION 5. DISCLAIMER OF WARRANTIES.

As between Lessor and Lessee, Lessor leases the Equipment **As-Is** without warranty or representation either express or implied, as to (a) the fitness for any particular purpose or merchantability of any Item or Items of Equipment, (b) the Lessor's title thereto, (c) the Lessee's right to the quiet enjoyment thereof (except as to acts or omissions of the Lessor or the Trustor), or (d) any other matter whatsoever, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee. The Lessor hereby appoints and constitutes the Lessee as its agent and attorney-in-fact during the term of this Lease, so long as no Default or Event of Default (as those terms are defined in Section 13.01 hereof) shall have occurred and be continuing, to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against any party whomsoever, including, but not limited to, manufacturers or contractors in respect of the Equipment. The costs and expenses incurred by the Lessee, including attorneys' fees, in connection with any recovery, shall first be deducted from such recovery, and the balance, if any, shall be distributed between the Lessor and the Lessee, as their interests may appear.

SECTION 6. RULES, LAWS AND REGULATIONS.

6.01. COMPLIANCE WITH RULES, LAWS AND REGULATIONS. The Lessee agrees at its own expense as additional rent to comply with all governmental laws, regulations, requirements and rules (including the rules of the Department of Transportation and the Interchange Rules and supplements thereto of the Mechanical Division Association of American Railroads) as in effect from time to time with respect to the use, maintenance and operation of each Item of Equipment subject to this Lease. In case any equipment or appliance on any such Item of Equipment shall be required to be changed or replaced, or in case any additional or other equipment or appliance is required to be installed on such Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such changes, additions and replacements at its own expense as additional rent.

6.02. EXCEPTIONS TO COMPLIANCE; DETERMINATION OF CASUALTY OCCURRENCE. The Lessee shall not be required to comply with any such law, regulation, requirement or rule or to make any such changes, additions or replacements during any period that it shall, in good faith and by appropriate legal proceedings, contest the validity of any such law, regulation, requirement or rule in any reasonable manner which will not adversely affect or endanger the title and interest of the Lessor to the Equipment or subject the Lessor to any material risk of

civil liability or any risk of criminal penalty. If at any time on or prior to the nineteenth Periodic Rent Payment Date in respect of any Item of Equipment any change, addition or replacement in respect of such Item of Equipment is required by Section 6.01 hereof which would require expenditure by the Lessee of an amount exceeding 25% of the Casualty Value (as defined in Section 10.07 hereof) of such Item of Equipment determined as of the next preceding Rent Payment Date, then and in any such event the Lessee by written notice to the Lessor may elect to treat such Item of Equipment as having suffered a Casualty Occurrence as defined in Section 10.01 hereof as of the date of such notice. Such notice shall also certify the facts in reasonable detail which are the basis for such election.

SECTION 7. USE, MODIFICATION AND MAINTENANCE OF EQUIPMENT.

The Lessee shall, at its own cost and expense as additional rent, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange. The Lessee shall have the right, at its own cost and expense as additional rent, to make changes, modifications, alterations or installations in or on any Item of Equipment which are not prohibited by any governmental law, regulation, requirement or rule and which do not impair the value of such Item or the use of such Item in the service for which such Item was originally designed. Any parts, accessories, equipment or devices installed by the Lessee upon any Item of Equipment pursuant to the provisions of Section 6.01 or this Section 7 shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor, without cost or expense to the Lessor; provided, however, that the Lessee shall have the right at any time during the term of this Lease, without accounting to the Lessor therefor, to remove from any Item of Equipment any such part, accessory, equipment or device which can be removed without impairing the value of such Item or the use of such Item in the service for which the Item was originally designed or without otherwise violating any of the provisions of this Lease. The Lessee shall be liable for the repair of any damage to an Item of Equipment caused by such removal. Subject to the requirements of this Section 7, the Lessee shall have the right to dispose of any worn out or obsolete parts, accessories, equipment or devices with or without replacement thereof and to replace the same with other parts, accessories, equipment or devices without accounting to the Lessor for any thereof.

SECTION 8. LIENS ON THE EQUIPMENT.

8.01. LIENS TO BE DISCHARGED BY LESSEE. The Lessee shall pay or satisfy and discharge any and all claims which constitute or, if unpaid, might constitute or become, a lien or a charge upon the Equipment (other than Lessor's Liens, as hereinafter defined, and the lien of the Security Agreement) but the Lessee shall not be required to pay or discharge (i) any inchoate liens arising in the ordinary course of business which are not delinquent or are bonded, (ii) any liens for taxes, assessments or governmental charges or levies which are not delinquent or (iii) any such claims, liens or charges during any period that the Lessee shall in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not adversely affect or endanger the title and interest of the Lessor to the Equipment or the security interests of the Secured Party under the Security Agreement referred to in Section 15 hereof. The Lessee's obligations under this Section 8 shall survive termination of this Lease.

8.02. LIENS TO BE DISCHARGED BY LESSOR. The Lessor shall pay or satisfy and discharge, but only if and to the extent funds are made available to the Trustee expressly for that purpose pursuant to Section 5(b) or Section 5(c) of the Trust Agreement, any and all Lessor's

Liens, which, if allowed to remain, would adversely affect or endanger the Lessee's right of quiet enjoyment and use of the Equipment, provided that the Lessor shall not be required to pay or discharge any such Lessor's Liens during any period that it shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not adversely affect or endanger the Lessee's right of quiet enjoyment and use of the Equipment. The Lessor's obligations under this Section 8.02 shall survive termination of this Lease. As used herein, the term "Lessor's Liens" shall mean liens, charges, security interests and other encumbrances on or in any Item of Equipment securing claims by any party against the Lessor other than (i) any such encumbrances created under the Security Agreement referred to in Section 15 hereof or under the Acquisition Agreement or related to the purchase of the Equipment by the Lessor or the right, title and interest of the Lessor in or to the Equipment, the leasing of Equipment hereunder and any transaction pursuant to any of such documents or this Lease, or (ii) any such encumbrances securing claims which the Lessee or any Manufacturer has warranted against or is obligated to pay, discharge or indemnify the Lessor against hereunder or under the Security Agreement or the Acquisition Agreement or otherwise.

SECTION 9. FILING AND PAYMENT OF FEES; INVESTMENT TAX CREDIT.

9.01. FILING. Prior to the delivery and acceptance of the first Item of Equipment, the Lessee will, at its sole expense, cause this Lease to be duly filed, registered or recorded in conformity with Section 20c of the Interstate Commerce Act and in such other places within the United States as the Lessor may reasonably request for the protection of its title to the Equipment and will furnish the Lessor proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will re-file, re-register, or re-record whenever required) any and all further instruments required by law or reasonably requested by the Lessor, including the Security Agreement referred to in Section 15 hereof, for the purpose of protecting under the laws of the United States the Lessor's title to the Equipment or the security interest granted to the Secured Party pursuant to Section 15 to the satisfaction of the Lessor's or the Secured Party's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor proof of such filings and an opinion of counsel (who may be an officer of the Lessee) that such action has been properly taken. The Lessee will pay, as additional rent, all costs, expenses and charges incident to any such filing, re-filing, registering, re-registering, recording and re-recording of any such instruments or incident to the taking of such action.

9.02. INVESTMENT TAX CREDIT. The Lessor hereby agrees and covenants that it will, in accordance with Section 48(d) of the Internal Revenue Code of 1954, as amended, and the applicable regulations thereunder, execute without warranty of efficacy an election to treat the Lessee as having acquired the Equipment for purposes of the investment tax credit provided by Section 38 (and related sections) of said Code so that the Lessee may receive the benefit of such credit to the extent available; provided, however, that neither the Lessor nor the Trustor shall be in any way responsible for the Lessee's failure to obtain the benefits of such investment tax credit (except as provided in Section 6(5) of the Acquisition Agreement) and the Lessee shall be solely responsible for the preparation and filing of all documents necessary to effect such election and shall furnish the Lessor with the appropriate document ready for execution by the Lessor not later than 30 days prior to the date on which the election is required to be made, which date shall be specified by the Lessee in its letter transmitting the election document.

SECTION 10. PAYMENT FOR CASUALTY OCCURRENCE OR EQUIPMENT UNSERVICEABLE FOR USE; INSURANCE.

10.01. NOTIFICATION BY LESSEE OF CASUALTY OCCURRENCE. In the event that during the term of this Lease any Item of Equipment (i) shall be or become lost, stolen, destroyed, or, in the opinion of Lessee, irreparably damaged or permanently rendered unfit for use from any cause whatsoever, or (ii) shall be requisitioned or taken by the United States of America or any agency thereof by condemnation or otherwise for a stated term which exceeds the remaining term of this Lease or for an indefinite term and in either case, Lessee is in fact denied the use of such Item of Equipment for the remaining Primary Term or Renewal Term, as the case may be, then in effect, or (iii) shall be requisitioned or taken by any foreign governmental authority by condemnation or otherwise for an indefinite term or for a stated term of more than the lesser of (x) one year or (y) the remaining Primary Term or Renewal Term, as the case may be, then in effect, and in either case the Lessee is, in fact, denied use of such Item of Equipment for a period of more than one year or such remaining Term, as the case may be, or (iv) shall be the subject of an election by the Lessee pursuant to Section 6.02 hereof (any such occurrence being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully (after it has actual knowledge of such Casualty Occurrence) inform the Lessor in regard thereto.

10.02. PAYMENT FOR CASUALTY OCCURRENCE. When the aggregate Casualty Value (as defined in Section 10.07 hereof) of Items of Equipment having suffered a Casualty Occurrence of which the Lessee has actual knowledge (exclusive of Items of Equipment having suffered a Casualty Occurrence with respect to which a payment shall theretofore have been made to the Lessor pursuant to this Section 10) shall exceed \$100,000, the Lessee, on the next succeeding Rent Payment Date, shall pay to the Lessor a sum equal to the Casualty Value of such Item or Items of Equipment as of the date of such payment (together with the installment of Periodic Rent then due in respect of such Item or Items of Equipment); provided, that notwithstanding the foregoing the Lessee shall on the last Rent Payment Date of each calendar year after 1975 pay to the Lessor a sum equal to the Casualty Value of any Item or Items of Equipment (together with the installment of Periodic Rent then due in respect of such Item or Items of Equipment) which to the Lessee's actual knowledge have suffered a Casualty Occurrence during the next preceding calendar year or any prior year for which no payment has previously been made to the Lessor pursuant to this Section 10.02 and provided further that on the last Rent Payment Date of each Primary Term and each Renewal Term the Lessee shall pay to the Lessor a sum equal to the Casualty Value of any Item or Items of Equipment then leased hereunder for such Term (together with the installment of Periodic Rent then due in respect of such Item or Items of Equipment) which have suffered a Casualty Occurrence for which no payment has previously been made to the Lessor pursuant to this Section 10.02.

10.03. OPTIONAL RETIREMENT OF EQUIPMENT. When, in the good faith judgment of the Lessee, all Items of Equipment having the same specifications (as set forth in Schedule 1 hereto) then leased hereunder for the same Primary Term shall have become economically unserviceable or unserviceable due to restrictions on use by the Lessee imposed by governmental law, regulation, requirement or rule, the Lessee may upon not less than 30 days prior written notice to the Lessor, which notice shall identify such Items of Equipment and designate the date on which termination will be effective and settlement for such Items of Equipment will be made, terminate this Lease with respect to such Items of Equipment as of the twentieth

Rent Payment Date with respect to such Items of Equipment or as of any succeeding Rent Payment Date during the Primary Term with respect to such Items of Equipment upon payment to the Lessor of an amount equal to the Termination Value (as defined in Section 10.08 hereof) of such Items of Equipment (together with the installment of Periodic Rent then due in respect of such Item or Items of Equipment). For the purposes of this Section 10.03, interest rates or similar finance charges payable by the Lessee in connection with the acquisition of similar equipment under conditional sales contracts, leases or other arrangements for deferred payment of the purchase price, shall be disregarded in the determination of economic unserviceability.

10.04. RENT TERMINATION. Upon (and not until) payment of the Casualty Value or, as the case may be, the Termination Value (together with the Periodic Rent installment due on the Casualty Value or Termination Value payment date) in respect of any Item or Items of Equipment, the obligation to pay rent for such Item or Items of Equipment and the term of this Lease with respect to, and the Lessee's right to use and operate such Item or Items of Equipment shall terminate (provided that the Lessee's obligations under this Lease with respect to any such Item or Items of Equipment, other than the obligation to pay Basic Rent therefor, shall continue until sold or otherwise disposed of pursuant to Section 10.05 hereof), but the Lessee shall continue to pay rent for all other Items of Equipment. The Lessee shall pay when due all Basic Rent as to an Item or Items of Equipment due on or prior to the date on which the Casualty Value or, as the case may be, the Termination Value thereof is payable. In connection with the payment of the Casualty Value or, as the case may be, the Termination Value of any Item of Equipment, the Lessee shall furnish to the Lessor a schedule listing the Equipment which remains subject to this Lease after giving effect to such Casualty or Termination Value payment and the Periodic Rent which will accrue and become payable with respect to such Equipment.

10.05. DISPOSITION OF EQUIPMENT. The Lessee shall, as agent for the Lessor, sell for cash such Item or Items of Equipment for which settlement has been made pursuant to Section 10.02 or 10.03 as promptly as possible for the highest price reasonably obtainable. Any such disposition shall be on an "as-is", "where-is" basis without representation or warranty express or implied (except as may otherwise be agreed by the Lessor). As to each separate Item of Equipment so sold, provided that the Lessee has previously paid to the Lessor all Basic Rent then due, and provided further, that no Default or Event of Default shall have occurred and be continuing, the Lessee shall be entitled to receive and retain all proceeds of the disposition (including in the case of a Casualty Occurrence, any insurance proceeds and damages received by the Lessee or the Lessor) up to the sum of (i) the out-of-pocket expenses (including legal costs and attorneys' fees) incurred by the Lessee in connection with such disposition, and (ii) the Casualty Value or, as the case may be, the Termination Value thereof, and shall remit the excess, if any, to the Lessor. Neither the Lessee nor any "affiliate" (as that term is hereinafter defined) of the Lessee shall be permitted to purchase any Item of Equipment with respect to which this Lease has been terminated pursuant to Section 10.02 or Section 10.03. Anything herein to the contrary notwithstanding, if the Lessee is unable after using its best effort to sell such Item or Items for cash, the Lessee may otherwise finally dispose of such Item or Items. Any sale or other disposition pursuant to this Section 10.05 must be effective to fully divest the Lessor of all of the Lessor's right, title and interest in and to, and all obligations of the Lessor with respect to, such Item or Items. It is understood and agreed that the Lessor shall not be liable to the Lessee for any costs or expenses incurred by the Lessee in connection with the sale or other disposition of any Item of Equipment.

For purposes of this Section 10.05, the term "affiliate" shall mean any subsidiary of the Lessee or any corporation or other person reported in the published financial statements of the Lessee on an equity in net assets basis in accordance with generally accepted accounting principles.

10.06. CASUALTY PRIOR TO COMMENCEMENT OF PRIMARY TERM. In the event the Lessee shall have notified the Lessor that an Item or Items of Equipment have suffered a Casualty Occurrence 15 days or more prior to the commencement of the Primary Term hereunder with respect thereto, the Casualty Value for such Item or Items shall be an amount equal to 105.780% of Total Cost thereof plus the total amount of Daily Interim Rent therefor, if any, to the date of payment of such Casualty Value, which date shall not be more than 15 days after the date of notice to the Lessor of such Casualty Occurrence. If the Lessee shall have notified the Lessor that an Item or Items of Equipment have suffered a Casualty Occurrence less than 15 days prior to the commencement of the Primary Term hereunder with respect thereto, the date of such Casualty Occurrence for such Item or Items shall be deemed to be one day after the commencement of such Primary Term.

10.07. CASUALTY VALUE. Except as provided in Sections 10.06 and 23.03 hereof, the "Casualty Value" of each Item of Equipment shall be an amount determined as of the date the Casualty Value is payable as provided in Section 10.02 hereof (and not the date of the Casualty Occurrence) equal to that percentage of the Total Cost of such Item of Equipment as set forth in the Schedule of Casualty Value attached hereto as Schedule 1.

10.08. TERMINATION VALUE. The "Termination Value" of each Item of Equipment shall be the amount determined as of the date the Termination Value is payable as provided in Section 10.03 hereof equal to that percentage of the Total Cost of such Item of Equipment as set forth in the Schedule of Termination Value attached hereto as Schedule 2.

10.09. RISK OF LOSS. The Lessee shall bear the risk of loss and, except as hereinabove in this Section 10 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment after the date hereof.

10.10. REQUISITION OR TAKING. In the event of any requisition or taking of any Item of Equipment by any governmental authority which does not constitute a Casualty Occurrence under the provisions of Section 10.01 hereof, the Lessee's duty to pay Basic Rent and all other sums due hereunder shall continue for the duration of such requisitioning or taking. Provided no Default or Event of Default shall have occurred and be continuing, the Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking up to an amount equal to the Basic Rent paid or payable hereunder for such period, and the balance, if any, shall be payable to and retained by the Lessor as its sole property subject to the terms and provisions of the Trust Agreement. In the event of any requisition or taking constituting a Casualty Occurrence, provided that the Lessee has previously paid to the Lessor all Basic Rent due and provided, further, that no Default or Event of Default shall have occurred and be continuing, the Lessee shall be entitled to receive and retain for its own account all sums payable by the governmental authority as compensation for such requisition or taking up to the sum of (i) the out-of-pocket expenses (including legal costs and reasonable attorneys' fees) incurred by the Lessee in connection with such requisition or taking and (ii) any Casualty Value paid by the Lessee to the Lessor in respect of the Item or Items of Equipment which were requisitioned or taken, and the balance, if any, shall be payable to and retained by the Lessor as its sole property subject to the terms and provisions of the Trust Agreement.

10.11. RECOVERY OF AND PROSECUTION OF CLAIMS. The Lessor hereby authorizes and empowers the Lessee as agent for the Lessor, so long as no Default or Event of Default shall have occurred and be continuing, to negotiate, accept, reject, file and prosecute any claims, including what otherwise would be the Lessor's claim, for any award or compensation on account of any loss, damage, destruction, confiscation, requisition or taking of any Item of Equipment and to collect and retain the proceeds thereof to the extent permitted by this Section 10, provided that the Lessee agrees to consult with the Lessor with respect to the Lessee's exercise of the authority granted hereby and to use its best efforts to obtain the highest possible recovery for the Lessor. The proceeds obtained by the Lessee for any loss or damage which is not a Casualty Occurrence shall be retained by the Lessee and applied to the repair or replacement of such damage or loss and the excess proceeds shall be equitably apportioned between the Lessee and the Lessor.

10.12. INSURANCE. The Lessee will at all times after delivery and acceptance of each Item of Equipment, at its own expense as additional rent, keep or cause to be kept such Item insured by a reputable and financially sound insurance company or companies in amounts and against risks customarily insured against by the Lessee on similar equipment owned or leased by it. Any insurance policy may provide that, unless a Default or an Event of Default shall have occurred and be continuing, losses shall be adjusted with the Lessee and shall provide that the proceeds thereof shall be payable to the Lessor, the Secured Party and the Lessee as their interests shall appear, that the same shall not be canceled without at least 30 days prior written notice to each assured named therein. Provided no Default or Event of Default shall have occurred and be continuing, any proceeds of insurance received by the Lessor or the Secured Party on account of or for any loss or casualty with respect to any Item of Equipment shall be paid to the Lessee either (i) upon proof satisfactory to the Lessor and the Secured Party that any damage to such Item with respect to which such proceeds were paid has been fully repaired, or (ii) if this Lease is terminated with respect to such Item pursuant to Section 10.02 hereof upon payment by the Lessee of the Casualty Value of such Item. The Lessee presently maintains general public liability insurance with respect to the Items of Equipment against claims for bodily injury, death or property damage with limits of not less than \$5,000,000 with respect to any one accident. The Lessee agrees that it will not terminate such liability insurance or reduce the limits thereof except upon not less than 30 days prior written notice to the Lessor and the Secured Party and that so long as such liability insurance is maintained, the policies shall name the Lessor and the Trustor as insureds thereunder.

SECTION 11. ANNUAL REPORTS.

11.01. DUTY OF LESSEE TO FURNISH. On or before April 30 in each year, commencing with the year 1976, the Lessee will furnish to the Lessor or its assigns an accurate statement, as of the close of the preceding calendar year (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that have suffered a Casualty Occurrence during such preceding calendar year (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as the Lessor may reasonably request by not less than 30 days prior written notice to the Lessee, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.02 hereof shall have been preserved or replaced.

11.02. FINANCIAL STATEMENTS. As soon as practicable after the end of each fiscal year of the Lessee and in any event within 120 days thereafter, the Lessee will furnish to the Secured

under a contract filed, the parties shall name the lessor and the lessee as issued thereunder.

SECTION III. ANNUAL REPORTS

11.01. CITY OF LESSEE TO FURNISH. On or before April 30 in each year commencing with the year 1976, the lessee will furnish to the lessor on the lessee's separate statement, as to the state of the preceding calendar year (a) showing the amount of depreciation and number of the items of equipment upon which the lessee has claimed depreciation during such preceding calendar year for which the date of this lease, in the case of the first such statement, and any other information regarding the condition of the equipment as the lessor may request by not less than 30 days prior written notice to the lessee; and (b) showing that in the case of all equipment on which depreciation is claimed, the lessee has paid the depreciation tax for the year in which the depreciation was claimed, and that the lessee has paid the depreciation tax for the year in which the depreciation was claimed.

11.02. FURNISHING STATEMENTS. The lessee shall furnish to the lessor on the last day of each year of the lease, and in any event within 30 days thereafter, the lessee will furnish to the lessor

Party in sufficient copies for the Secured Party and distribution by the Secured Party to the Lessor, United States Leasing International, Inc., the Trustor and each of the Lenders referred to in Section 25 hereof, the annual report of the Lessee in the form furnished to its stockholders, and a written statement signed by a Responsible Officer (as hereinafter defined) of the Lessee, stating that, to the best of his knowledge, no Default or Event of Default has occurred and is continuing, or if such shall not be the case, specifying each such Default or Event of Default known to him and the nature and status thereof.

"Responsible Officer" when used with respect to the Lessee means the Chairman of the Board of Directors, Vice Chairman, the President, any Vice President (whether or not designated by a number or word or words added before or after the words "Vice President"), the Treasurer, any Assistant Treasurer, or any other officer of the Lessee, or of a division or subsidiary of the Lessee, customarily performing functions similar to those performed by any of the above designated officers and, with respect to any matter referred to in Section 4.02 hereof, means and is limited to an officer or employee of the Lessee, or of a subsidiary or division of the Lessee, who would in the performance of his customary duties and responsibilities have knowledge of such matter and the requirements of this Lease with respect thereto.

11.03. LESSOR'S INSPECTION RIGHTS. The Lessor or its assigns shall have the right, at its sole cost and expense and at its own risk (except as to any loss or injury sustained as a result of the negligence of the Lessee or the Lessee's agents or servants) by its authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such times as shall be designated by reasonable prior written notice to the Lessee, as shall not unreasonably interfere with or interrupt the use of the Equipment by the Lessee and as shall be reasonably necessary to confirm to the Lessor or its assigns the existence and proper maintenance thereof during the continuance of this Lease. The Lessee shall not be required to retain any records with respect to the Equipment beyond its normal retention policy or as may otherwise be required by any governmental law, rule or regulation.

SECTION 12. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this Lease with respect to any Items of Equipment, the Lessee will, at its own cost and expense as additional rent, at the request of the Lessor, deliver possession of such Items of Equipment to the Lessor upon such storage tracks within 25 miles of any one or more of the following locations selected by the Lessee: Chicago, Illinois; Los Angeles or Torrance, California; North Seadrift, Texas City or Brownsville, Texas; Marietta, Ohio; South Bound Brook or Perth Amboy, New Jersey; Institute or South Charleston, West Virginia; or Whiting, Indiana. The Lessee will place at least 25 Items of Equipment at any one location (or such lesser amount as may be leased under the term of this Lease then expiring). The Lessee shall give prompt written notice to the Lessor of the location or locations selected for surrender of the Equipment and the car numbers of the Items of Equipment placed on the storage tracks at each such location. The Lessee will provide storage for Items of Equipment on such tracks for a period not exceeding 45 days from the later of (i) the expiration of the term of this Lease with respect to such Items of Equipment or (ii) the date the last of such Items of Equipment is delivered to storage tracks at one of such locations. All such storage of each such Item is to be at the risk and expense as additional rent of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same at the Lessor's sole cost and expense and at

the Lessor's own risk (except for any loss or injury sustained as a result of the negligence of the Lessee or the Lessee's agents or servants). The assembling, delivery and storage of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver and store the Equipment.

SECTION 13. DEFAULT.

13.01. EVENTS OF DEFAULT. The term "Event of Default" shall mean any one of the following events:

(a) default shall be made in the payment of any Basic Rent and such default shall continue for more than ten days;

(b) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein, and such default shall continue for 30 days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied;

(c) default shall be made in the observance or performance of any covenant, condition or agreement on the part of the Lessee contained in the Acquisition Agreement, and such default shall continue for 30 days after written notice from the Lessor to the Lessee specifying the default and demanding the same to be remedied;

(d) any representation or warranty made by the Lessee herein or in any statement or certificate furnished pursuant to this Lease, the Acquisition Agreement or the Loan Agreements referred to in Section 25 hereof proves untrue in any material respect as of the date of issuance or making thereof and shall not be made good within 30 days after notice thereof to the Lessee by the Lessor;

(e) the Lessee shall become insolvent or bankrupt or admit in writing its inability to pay its debts as they mature or shall make an assignment for the benefit of its creditors; or

(f) bankruptcy, reorganization, arrangement or insolvency proceedings or other proceedings for relief under any bankruptcy or similar law or laws for the relief of debtors shall be instituted by or against the Lessee; or the Lessee shall permit or there shall occur any involuntary transfer of its interest hereunder or of all or substantially all of the Lessee's property by bankruptcy or by the appointment of a receiver or trustee or by execution or by any judicial or administrative decree or process or otherwise; unless in every such case such proceedings (if instituted against the Lessee) shall be dismissed or such assignment, transfer, decree or process shall within 60 days from the filing or other effective date therein be nullified, stayed or otherwise rendered ineffective, or unless any such receiver or trustee shall within 60 days from the date of his appointment adopt and assume this Lease pursuant to due authority of law and of the court appointing him.

The term "Default" shall mean any event which would constitute an Event of Default if any requirement in connection therewith for the giving of notice, or the lapse of time, or the happening of any further condition, event or action had been satisfied.

13.02. REMEDIES. When any Event of Default has occurred and is continuing, the Lessor at its option may:

(1) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; and/or

(2) From time to time, by notice in writing to the Lessee, terminate this Lease with respect to one or more Items of Equipment, whereupon all right of the Lessee to the use of such Items of Equipment shall absolutely cease and terminate, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of such Items of Equipment may be located and take possession of all or any of such Items of Equipment, cause the removal and storage at the Lessee's cost and expense of any freight on board such Items of Equipment, and thenceforth hold, possess and enjoy such Items of Equipment free from any right of the Lessee, or its successors or assigns, to use such Items of Equipment for any purpose whatever, but the Lessor shall, nevertheless, have the right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination with respect to such Items of Equipment (computing the rental for any number of days less than a full rental period by multiplying the rental for the full rental period by a fraction of which the numerator is such accrued number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) with respect to such Items of Equipment, as damages for loss of a bargain and not as a penalty, at the option of the Lessor, either (x) an amount which is equal to the excess of the sum of the present worth, at the time of such termination, of all Daily Interim Rent and Periodic Rent which would otherwise have accrued hereunder from the date of such termination to the end of the Primary Term or the then current Renewal Term with respect to each such Item of Equipment over the sum of the then present worth of the then fair market rental value of each such Item for such period, such present worth to be computed in each case on a basis of a 6.9% per annum discount (or, in the event the Periodic Rent with respect to such Item has been increased pursuant to Section 2.01(b)(i) hereof, a 10% per annum discount), compounded semiannually from the respective dates upon which rent would have been payable hereunder had this Lease not been terminated, with respect to such Items, or (y) an amount which is equal to the excess of the Casualty Value of each such Item of Equipment, calculated as if a Casualty Occurrence had occurred with respect to such Item at the time of such termination, over the fair market sales value of each such Item, and (ii) any damages and expenses in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease, other than for payment of Basic Rent.

In addition, the Lessor may exercise any other right or remedy which may be available to it under applicable law. The Lessee will reimburse the Lessor for any costs and expenses incurred by it in placing the Equipment in the condition required by Section 7 hereof and will pay all reasonable legal fees and other costs and expenses incurred by the Lessor in exercising its remedies hereunder (including, without limitation, costs of selling or releasing Items of Equipment). For purposes of subparagraph (2) above, fair market rental value and fair market sales value of Items of Equipment shall be determined in accordance with the fourth and fifth sentences of Section 23.01 hereof and shall be determined by the Lessor or, if the Lessor so elects, by an independent appraiser (at the expense of the Lessee) selected by the Lessor, provided that any sale in a commercially reasonable manner of an Item of Equipment prior to any such determination shall conclusively establish the fair market sales value of such Item.

13.03. CUMULATIVE REMEDIES. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory

requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law.

13.04. LESSOR'S FAILURE TO EXERCISE RIGHTS. The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies. No express or implied waiver by the Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any other Event of Default.

SECTION 14. RETURN OF EQUIPMENT UPON DEFAULT.

14.01. LESSEE'S DUTY TO RETURN. If the Lessor shall terminate this Lease pursuant to Section 13 hereof, the Lessee shall, to the extent requested by the Lessor, forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith assemble and place such Equipment upon such storage tracks within 25 miles of such location referred to in Section 12 hereof as the Lessor may designate or, in the absence of such designation, as the Lessee may select;

(b) Provide storage at the risk of the Lessee for such Equipment on such tracks for a period not exceeding 180 days after written notice to the Lessor specifying the place of storage and the car numbers of the Items so stored; and

(c) Transport any Items of Equipment, at any time within such 180 days' period, to any place on the lines of a railroad within a 25-mile radius of such storage tracks, all as the Lessor may reasonably direct upon not less than 30 days' written notice to the Lessee.

14.02. INTENTION OF PARTIES. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

14.03. LESSOR APPOINTED LESSEE'S AGENT. Without in any way limiting the obligations of the Lessee under the foregoing provisions of this Section 14, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to the Lessor, to demand and take possession of such Item in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Item.

SECTION 15. ASSIGNMENTS BY LESSOR.

As collateral security for the Lessor's 9% Secured Notes issued from time to time to finance the acquisition of certain Items of Equipment (the "Financed Items") leased hereunder, the Lessor and Harris Trust and Savings Bank, as Trustee (the "Secured Party"), have entered into a Security Agreement-Trust Deed and will from time to time enter into supplements thereto (the Security Agreement-Trust Deed as supplemented from time to time being herein called the "Security Agreement") providing among other things for the assignment to the Secured Party of the Periodic Rent and payments of Casualty Value,

Termination Value and Option Payments (as defined in the Security Agreement) payable hereunder, in each case with respect to the Financed Items, all payments pursuant to paragraphs (a) and (c) of Section 25 hereof (such Periodic Rent, payments of Casualty Value, Termination Value, Option Payments and all payments pursuant to paragraphs (a) and (c) of Section 25 hereof being herein referred to collectively as "Assigned Rents"), and this Lease otherwise, but only insofar as it relates to the Financed Items and subject always to the exceptions and reservations set forth in the Security Agreement. The Lessor and the Lessee agree that so long as the Security Agreement remains in force and effect, this Lease shall be deemed to be and shall be construed as a divisible and severable contract between the Lessor and the Lessee for the leasing of, respectively, (i) the Financed Items and (ii) all other Equipment described in Schedule 1 hereto, all to the same extent and with the same force and effect as though a separate Lease had been entered into by the Lessor and the Lessee in respect of the Financed Items and all other Equipment described in Schedule 1 hereto. The Secured Party shall not be bound by or obligated to perform or see to the performance of any duty, covenant or condition or warranty (express or implied) made by the Lessor or required to be observed or performed by the Lessor under any of the terms hereof, but on the contrary, the Lessee by its execution hereof acknowledges and agrees that notwithstanding such assignment each and all of such covenants and agreements of the Lessor and all representations and warranties shall survive such assignment and shall be and remain the sole liability of the Lessor. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of the Secured Party, its successors in trust and assigns, in and to Assigned Rents and the sums payable by the Lessee under any provisions of this Lease in respect of the Financed Items shall not be subject to any abatement whatsoever, and shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever whether by reason of failure of or defect in the Lessor's title, or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that the Lessee shall be unconditionally and absolutely obligated to pay the Secured Party all of the Assigned Rents and other sums (subject to the exceptions and reservations set forth in the Security Agreement) due and to become due hereunder in respect of the Financed Items, and (ii) (subject to the exceptions and reservations set forth in the Security Agreement) the Secured Party shall have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of the Secured Party) which by the terms of this Lease are permitted or provided to be exercised by the Lessor in respect of the Financed Items.

SECTION 16. ASSIGNMENTS BY LESSEE; USE AND POSSESSION.

16.01. LESSEE'S RIGHTS TO THE EQUIPMENT. So long as no Event of Default has occurred and is continuing, the Lessee shall be entitled to the possession, use and quiet enjoyment of the Equipment in accordance with the terms of this Lease (including delivery of the same to railroad companies or other carriers for movement thereof in accordance with instructions of the Lessee) but, without the prior written consent of the Lessor, which shall not be unreasonably withheld, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment except pursuant to the terms and conditions of Sections 16.02 and 16.03 hereof. No such assignment, transfer or encumbrance shall relieve the Lessee of any of the obligations, liabilities or duties hereunder which shall be and remain those of a principal and not a surety.

16.02. USE AND POSSESSION BY LESSEE, INTERCHANGE, "MILEAGE". So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to and shall have the use and possession and quiet enjoyment of the Equipment. The Lessee agrees that the Equipment will be used within the Western Hemisphere, provided that each Item of Equipment shall be used wholly or in part within the United States and that no more than 2% (or such greater number as the Trustee may in its sole discretion determine in good faith shall not adversely affect the Federal income tax liability of the Trustor) in number of all Items of Equipment shall be located outside the continental United States at any one time. The Lessee agrees that it will not, without the prior written consent of the Lessor, which consent shall not be unreasonably withheld, assign this Lease or any of its rights hereunder or sublease any Item of Equipment; provided, however, that such consent shall not be required for (i) the sublease of any Item of Equipment to a direct or indirect subsidiary of the Lessee, provided that each such sublease shall be made expressly subject and subordinate to this Lease; (ii) the use of any Item of Equipment by Lessee's suppliers, customers and consignees of goods being shipped or by others in the usual interchange of traffic; or (iii) the sublease of any Item of Equipment to any person, firm or corporation other than a subsidiary of the Lessee for a term not exceeding one year, provided that the Lessee shall promptly give written notice of any such sublease to the Lessor and furnish to the Lessor such information concerning such sublease and the sublessee as the Lessor may reasonably request and each such sublease shall be made expressly subject and subordinate to this Lease. No such assignment, sublease or permitted use shall relieve the Lessee of any of its obligations, liabilities or duties hereunder, which shall be and remain those of a principal and not a surety. The Lessee may receive and retain for its own account such compensation for subletting the Equipment and/or for the use of the Equipment by others as the Lessee may determine. Without limiting the foregoing, it is contemplated that the Lessor shall collect all mileage allowances, rentals and/or other compensation (hereinafter referred to as "Mileage") payable by carriers by reason of the use, ownership or operation of the Equipment, and, provided that no Default or Event of Default shall have occurred and be continuing, the Lessor shall remit without interest said Mileage so collected to the Lessee to the extent of the aggregate of the rentals and additional rentals paid or payable by the Lessee to and including the date of any such remittance, less the aggregate of any prior remittance of Mileage; provided, however, that if, at any time during the term of this Lease, or within sixty (60) days after termination of this Lease, the Lessee shall furnish to the Lessor an opinion, ruling or other evidence reasonably satisfactory to the Lessor's legal counsel to the effect that the Lessor may lawfully remit to the Lessee all or any portion of said Mileage which exceeds the rentals and additional rentals hereunder, the Lessor shall remit, without interest, such excess Mileage within ten days after demand therefor by the Lessee or, in the case of any such excess Mileage collected by the Lessor after such demand by the Lessee, within thirty (30) days after the collection thereof by the Lessor. The obligation of the Lessor under the next preceding sentence shall survive termination of this Lease.

The term "additional rent" has been used throughout this Lease to describe certain expenditures to be incurred by the Lessee which will be used in the computation of "Mileage" earned by the Lessee under this Section 16.02.

16.03. MERGER, CONSOLIDATION OR ACQUISITION OF LESSEE. Nothing in this Section 16 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any solvent corporation (which shall have duly assumed the obligations hereunder of the Lessee) into or with which

the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety.

SECTION 17. OPINION OF LESSEE'S COUNSEL.

On or before the date of delivery and acceptance of the first Item of Equipment hereunder, the Lessee will deliver to the Lessor and the Lenders referred to in the Security Agreement the written opinion of counsel for the Lessee addressed to the Lessor and the Lenders, in scope and substance satisfactory to the Lessor and the Lenders, to the effect that:

(a) The Lessee is a corporation legally incorporated and validly existing, in good standing, under the laws of the State of New York;

(b) The Lessee has the corporate power and authority to own its property and carry on its business as now being conducted;

(c) This Lease and the Acquisition Agreement have been duly authorized, executed and delivered by the Lessee and constitute the valid, legal and binding agreements of the Lessee enforceable in accordance with their respective terms (except as such terms may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally);

(d) No approval, consent or withholding of objection is required from any public regulatory body with respect to the entering into or performance by the Lessee of the Acquisition Agreement or this Lease; and

(e) The execution and delivery by the Lessee of the Acquisition Agreement and this Lease do not (i) violate (x) any provision of Federal or New York law or, to the best of such counsel's knowledge, any provision of any other law or (y) any order binding on the Lessee of any court or governmental agency or (ii) conflict with, result in a breach of or constitute a default under the provisions of the Certificate of Incorporation or By-Laws of the Lessee or any indenture, agreement or other instrument known to such counsel to which the Lessee is a party or by which it is bound.

SECTION 18. RIGHT OF LESSOR TO PERFORM; INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY LESSOR; AND INTEREST COMPUTATION.

If the Lessee shall fail to perform or observe any of the terms of this Lease, the Lessor may in its discretion do all acts and make all expenditures necessary to remedy such failure (other than a failure to pay Basic Rent), *provided* that the Lessor, though privileged so to do, shall be under no obligation to the Lessee to do any such act or make any such expenditure nor shall the making thereof relieve the Lessee of any default in that respect.

Any nonpayment of rentals due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the obligation on the part of the Lessee to pay also an amount equal to 10% per annum (or the lawful rate, whichever is less) of the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

Interest and discount hereunder shall be computed on the basis of a year of 360 days and twelve 30-day months.

SECTION 19. NOTICES.

Any notice required or permitted to be given by either party hereof to the other shall be deemed to have been given when personally delivered or deposited in the United States mails, registered first class postage prepaid, addressed as follows:

If to the Lessor: Trust Company for USL, Inc.
Trustee under U. C. Trust No. 12
1211 West 22nd Street
Oak Brook, Illinois 60521
(with a copy of such notice to be sent to:
United States Leasing International, Inc.
633 Battery Street
San Francisco, California 94111
Attention: *Vice President—Lease Underwriting Group*
and
Chase Manhattan Service Corporation
One Chase Manhattan Plaza
New York, New York 10005
Attention: *Administrative Assistant*)

If to the Lessee: Union Carbide Corporation
270 Park Avenue
New York, New York 10017
Attention: *Treasurer*
(with a copy of such notice to be sent
Attention: *Vice President Distribution—*
Chemicals and Plastics
and
Attention: *Director of Corporate Distribution*)

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

SECTION 20. EXECUTION IN COUNTERPARTS.

This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

SECTION 21. LAW GOVERNING.

This Lease shall be construed in accordance with the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by any applicable federal statute, rule or regulation.

SECTION 22. HEADINGS AND TABLE OF CONTENTS.

The headings of the sections of this Lease and the Table of Contents are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

SECTION 23. PURCHASE AND RENEWAL OPTIONS; APPRAISAL.

23.01. DETERMINATION OF FAIR MARKET SALES VALUE AND FAIR MARKET RENTAL VALUE.

Not more than one year prior to the expiration of the Primary Term or the current Renewal Term with respect to each Item of Equipment, the Lessee may notify the Lessor in writing that the Lessee desires a determination of the fair market sales value and the fair market rental value of such Item of Equipment as of the end of such Term (except that no determination of fair market rental value shall be made as of the end of the third Renewal Term if any). Thereafter, the Lessor and the Lessee shall consult for the purpose of determining the fair market sales value and fair market rental value of such Items of Equipment as of the end of such Term, and any values agreed upon in writing shall constitute such fair market sales value and fair market rental value for the purposes of this Section. If the Lessor and the Lessee fail to agree upon such values prior to nine months prior to the expiration of such current Term, the Lessee may request that such values be determined by the "Appraisal Procedure" (as hereinafter defined). Such fair market sales value and such fair market rental value shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing buyer-user or lessee (other than a lessee currently in possession or a used equipment or scrap dealer) and an informed and willing seller or lessor under no compulsion to sell or lease. In any such determination, transportation costs shall not be a deduction from value and parts, accessories, equipment or devices which the Lessee may remove from an Item of Equipment under the provisions of Section 7 hereof shall not be deemed to constitute a part of such Item. The Lessee's request for a determination of fair market sales value and fair market rental value shall not obligate the Lessee to exercise any of the options provided in this Section but, whether or not any of such options is exercised, the Lessee shall pay all costs and expenses of any appraisal pursuant to this Section 23.01.

"Appraisal Procedure" shall mean the following procedure for determining the fair market sales value or the fair market rental value, as the case may be, of any Item of Equipment: If the Lessee shall have given written notice to the Lessor requesting determination of such value by the Appraisal Procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within ten business days after such notice is given, each party shall appoint an independent appraiser within 15 business days after such notice is given, and the two appraisers so appointed shall within 20 business days after such notice is given, appoint a third independent appraiser. If no such third appraiser is appointed within 20 business days after such notice is given, either party may apply to any court having jurisdiction to make such appointment, and both parties shall be bound by any appointment made by such court. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the fair market sales value or the fair market rental value, as appropriate, of such Item of Equipment within 30 days after his or their appointment. If the parties shall have appointed a single appraiser, his determination of value shall be final. If three appraisers shall be appointed, the values determined by the three appraisers shall be averaged, the determination which differs most from such average shall be excluded, the remaining two determinations shall be averaged and such average shall be final.

23.02. OPTION TO PURCHASE. In the event that the Periodic Rent for the Primary Term of any Items of Equipment is increased pursuant to the proviso contained in Section 2.01(b) hereof (or the Lessee is notified in writing by the Lenders prior to the commencement of such

Primary Term that the Lenders will not be making the loans referred to in Section 2.01(b) hereof to finance such Item of Equipment), the Lessee may, by written notice to the Lessor on or before the date 90 days after the commencement of such Primary Term (or if the above notice is received by the Lessee from the Lenders, 90 days prior to the commencement of such Primary Term, as the case may be), elect to purchase all (but not less than all) of such Items of Equipment from the Lessor on the Rent Payment Date next succeeding the date of such notice from the Lessee (or on the date of commencement of such Primary Term, as the case may be) for a purchase price, payable on such Rent Payment Date (or on such commencement date, as the case may be), equal to the higher of (i) the aggregate Casualty Value of such Items of Equipment determined as of such Rent Payment Date (or such commencement date, as the case may be) or (ii) the aggregate fair market sales value of such Items of Equipment determined in accordance with the third sentence of the first paragraph of Section 23.01 hereof as of such Rent Payment Date (or as of such commencement date, as the case may be), such fair market sales value to be established by agreement of the Lessor and the Lessee or, if they are unable to reach agreement on or before the date 65 days preceding such Rent Payment Date (or preceding such commencement date, as the case may be), by the Appraisal Procedure (provided that, for the purpose of such determination, either the Lessor or the Lessee may, notwithstanding the second sentence of the second paragraph of Section 23.01 hereof, initiate the Appraisal Procedure). Notwithstanding the purchase by the Lessee of such Items of Equipment, the Lessee shall pay the Daily Interim Rent and (unless such purchase is made on the date of commencement of such Primary Term) the Periodic Rent, increased pursuant to Section 2.01(b) hereof, on the Rent Payment Date such Items are purchased pursuant to this Section 23.02. Payment of the purchase price shall be made at the place of payment specified in Section 2 hereof in funds there current against delivery of (i) a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to such Items of Equipment and containing a warranty against Lessor's Liens and (ii) a satisfaction and discharge of this Lease duly executed in recordable form by the Lessor as to such Items of Equipment. The Lessor shall not be required to make any representation or warranties as to the condition of the Equipment or any other matters.

23.03. OPTIONS TO RENEW. Provided that this Lease has not been earlier terminated and no Default or Event of Default shall have occurred and be continuing, the Lessee may by written notice to the Lessor delivered at least 120 days but not more than 180 days prior to the expiration of the Primary Term or the first or second Renewal Term with respect to Items of Equipment, elect to renew this Lease with respect to all but not less than all of the Items of Equipment then leased hereunder for such term and having the same specifications (as set forth in Schedule 1 hereto) for a Renewal Term of five years commencing at the expiration of such Primary Term, first Renewal Term or second Renewal Term, as the case may be, for a Periodic Rent during the applicable Renewal Term equal to the fair market rental value for such Items of Equipment, in which case, except as otherwise provided herein, all of the provisions of this Lease shall be applicable during such Renewal Term. This Lease may not be extended beyond the Primary Term with respect to any Items of Equipment for more than three Renewal Terms. If upon the giving of the above-mentioned written notice, a determination of the fair market value for the applicable Renewal Term and fair market sales value (for purposes of computing Casualty Value) as of the commencement of the applicable Renewal Terms and as of the last day of said Renewal Term has not been made pursuant to Section 23.01 hereof the Lessee will promptly request that such values be determined by the Appraisal Procedure. Upon such determination of the fair market rental value and fair

market sales value, the Lessee shall promptly notify the Lessor in writing as to whether it still elects to renew this Lease (which election shall then be irrevocable). The Casualty Value of an Item of Equipment as of each Rent Payment Date during a Renewal Term shall be computed as of each Rent Payment Date for such Renewal Term as follows: The Casualty Value of such Item of Equipment for the first such Rent Payment Date subsequent to the commencement of such Renewal Term shall be such fair market sales value as of the commencement of such Renewal Term and the Casualty Value of such Item of Equipment for each subsequent Rent Payment Date shall be determined by deducting from such fair market sales value an amount equal to the Factor (as defined below) computed for such Renewal Term multiplied by an amount equal to the number of Rent Payment Dates during the portion of such Renewal Term from the commencement thereof up to and including such Rental Payment Date. The Factor for any Renewal Term shall be determined by dividing the difference between the fair market sales value of such Item of Equipment as of the commencement of such Renewal Term and its fair market sales value as of the last day of such Renewal Term by the total number of Rent Payment Dates for such Renewal Term. Anything herein to the contrary notwithstanding, if the fair market rental value or the fair market sales value of Items of Equipment shall not be determined as above provided prior to the date 100 days preceding the last day of the then current Primary Term or Renewal Term the Lessee's option to renew this Lease as to such Items of Equipment shall cease and be of no further force or effect.

23.04. RETURN OF EQUIPMENT. Unless the Lessee has given the Lessor the notice required in connection with the exercise of the options provided in Sections 23.02 and 23.03 hereof, such Items of Equipment so affected and then leased hereunder shall be returned to the Lessor in accordance with Section 12 hereof.

SECTION 24. CONCERNING THE LESSOR.

It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, covenants, undertakings and agreements herein made on the part of the Lessor, while in form purporting to be the representations, covenants, undertakings and agreements of Trust Company for USL, Inc. are nevertheless each and every one of them, made and intended not as representations, covenants, undertakings and agreements of Trust Company for USL, Inc. in its individual corporate capacity or for the purpose or with the intention of binding Trust Company for USL, Inc. in its individual corporate capacity, but are made and intended for the purposes of binding only the Trust and the Trust Estate as such terms are used in the Trust Agreement; said Trust is the Lessor hereunder, and this Lease is executed and delivered by Trust Company for USL, Inc. not in its individual corporate capacity but solely in the exercise of the powers conferred upon it as such Trustee; and no liability or responsibility in the individual corporate capacity of Trust Company for USL, Inc. is assumed by nor shall at any time be asserted or enforceable against Trust Company for USL, Inc. or any incorporator or any past, present or future subscriber to the capital stock of Trust Company for USL, Inc., on account of this Lease or on account of any representation, covenant, undertaking or agreement of Trust Company for USL, Inc. in this Lease contained, either expressed or implied, all such individual corporate liability, if any, being expressly waived and released by the Lessee herein and by all persons claiming by, through or under the Lessee; excepting, however, that the Lessee or any person claiming by, through or under it, making claim hereunder, may look to said Trust and the Trust Estate for satisfaction of the same.

SECTION 25. CERTAIN EXPENSES.

The Lessee agrees that whether or not any of the transactions contemplated by the Trust Agreement or by the Loan Agreements, each dated as of March 1, 1975 (the "Loan Agreements"), between the Trustee and the Lenders named in Schedule A to the Loan Agreements shall be consummated, the Lessee will pay, as so much additional rent hereunder, from time to time upon receipt of invoices therefor, all of the following fees, expenses, disbursements and amounts relating to the Loan Agreements and the Security Agreement referred to in Section 15 hereof:

(a) all fees of the Secured Party under the Security Agreement charged for its services rendered, and all expenses and disbursements incurred or made by the Secured Party or the Lessor, in and about the administration of the trust therein provided for (including the performance by the Lessor of its obligations thereunder) and in and about the enforcement and other protection of the Security Agreement or the security interest and mortgages provided for therein (including reasonable compensation and expenses and disbursements of its counsel and of all persons not regularly in its employ);

(b) all fees, disbursements and expenses of any successor trustee under the Trust Agreement appointed pursuant to Section 11.1 thereof or any successor agent under the Trust Agreement appointed pursuant to Section 11.4 thereof; and

(c) an amount equal to the commitment and termination fees provided for in Section 2.05 of the Loan Agreements.

SECTION 26. SUCCESSORS AND ASSIGNS.

This Lease shall be binding upon and shall inure to the benefit of the Lessor and the Lessee and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective officers thereunto duly authorized and their corporate seals to be hereto affixed as of the day and year first above written.

[CORPORATE SEAL]

Attest:

Richard A. Gray
Ass't. Secretary

TRUST COMPANY FOR USL, INC.,
as Trustee under a Trust Agreement
dated as of March 1, 1975

By Ben Maushardt
Its President

Lessor

[CORPORATE SEAL]

Attest:

Oliver S. Hodges
Assistant Secretary

UNION CARBIDE CORPORATION

By W. S. Gray *att*
Its Vice President

Lessee

STATE OF Illinois
COUNTY OF Cook } SS

On this 20th day of July, 1975, before me personally appeared Dr. Marshall, to me personally known, who being by me duly sworn, says that he is **President** of TRUST COMPANY FOR USL, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

MY COMMISSION EXPIRES MAY 14, 1979

Harold O. Douglas
Notary Public

My commission expires:

STATE OF NEW YORK
CITY AND COUNTY OF NEW YORK } SS

On this 17th day of July, 1975, before me personally appeared **W. S. GRAY JR.**, to me personally known, who being by me duly sworn, says that he is **Vice President** of UNION CARBIDE CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

My commission expires:

Carol J. Mueller
Notary Public

CAROL J. MUELLER
Notary Public, State of New York
No. 30-4503012
Qualified in Nassau County
Certificate Filed with N. Y. County Clerk
Commission Expires March 30, 1977

DESCRIPTION OF EQUIPMENT

<u>Number of Items</u>	<u>Description</u>	<u>Identifying Numbers (both inclusive)</u>
RAILROAD TANK CARS		
77	20,000 gallon non-coiled, non-insulated (DOT # 111A100W1)	RAIX 6500 through RAIX 6576
9	20,000 gallon coiled, insulated (DOT # 111A60ALW1)	RAIX 9140 through RAIX 9148
19	20,000 gallon non-coiled, non-insulated (DOT # 111A60ALW1)	RAIX 9121 through RAIX 9139
45	20,000 gallon coiled, insulated (DOT # 111A100W1)	RAIX 6455 through RAIX 6499
2	23,500 gallon non-coiled, non-insulated (DOT # 111A100W1)	RAIX 2350 through RAIX 2351
7	23,500 gallon coiled, insulated (DOT # 111A100W1)	RAIX 2352 through RAIX 2358
27	26,000 gallon non-coiled, non-insulated (DOT # 111A100W1)	RAIX 2600 through RAIX 2626
10	30,000 gallon non-coiled, non-insulated (DOT # 111A100W1)	RAIX 3366 through RAIX 3375
7	20,000 gallon non-coiled, insulated (DOT # 105A400W1)	RAIX 2000 through RAIX 2006
13	18,000 gallon liquid oxygen (AAR # 204W)	RAIX 700 through RAIX 712
RAILROAD HOPPER CARS		
306	5,250 cubic ft. covered hopper cars	RAIX 60498 through RAIX 60803
93	5,700 cubic ft. covered hopper cars	RAIX 57127 through RAIX 57219

SCHEDULE 1

(To Lease of Railroad Equipment)

SCHEDULE OF CASUALTY VALUE

UNION CARBIDE CORPORATION

CASUALTY VALUE: The following per cent of Total Cost of an Item of Equipment, (set forth in the Lease Supplement relating thereto) is to be paid on a Rent Payment Date pursuant to Section 10.02 of the Lease as the result of an Item becoming the subject of a Casualty Occurrence, depending upon when the Casualty Value is paid:

<u>Periodic Rent Payment Date Number</u>	<u>Casualty Value Payable Per Item (in addition to the Periodic Rent Payment with respect to such Item due on such Periodic Rent Payment Date)</u>
1	107.784
2	109.478
3	110.874
4	111.977
5	112.825
6	113.410
7	113.756
8	113.855
9	113.735
10	113.389
11	112.839
12	112.085
13	111.152
14	110.039
15	108.771
16	107.348
17	105.802
18	104.130
19	102.365
20	100.508
21	98.581
22	96.579
23	94.520
24	92.402
25	90.239
26	88.032
27	85.786
28	83.503
29	81.179
30	78.818
31	76.418
32	73.977
33	71.496
34	68.515
35	66.414

SCHEDULE 2

(To Lease of Railroad Equipment)

SCHEDULE OF CASUALTY VALUE

(Continued)

Periodic Rent Payment Date Number	Casualty Value Payable Per Item (in addition to the Periodic Rent Payment with respect to such Item due on such Periodic Rent Payment Date)
36	63.811
37	61.168
38	58.481
39	55.754
40	52.985
41	50.173
42	47.319
43	44.425
44	41.486
45	38.504
46	35.481
47	32.414
48	29.305
49	26.154
50	21.909

SCHEDULE OF TERMINATION VALUE

UNION CARBIDE CORPORATION

TERMINATION VALUE: The following per cent of Total Cost of an Item of Equipment (set forth in the Lease Supplement relating thereto) is to be paid on a Rent Payment Date pursuant to Section 10.03 of the Lease as the result of the Lease terminating with respect to an Item of Equipment, depending upon when the Termination Value is paid:

<u>Periodic Rent Payment Date Number</u>	<u>Termination Value Payable Per Item (in addition to the Periodic Rent Payment with respect to such Item due on such Periodic Rent Payment Date)</u>
20	100.508
21	98.385
22	96.171
23	93.880
24	91.509
25	89.073
26	86.620
27	83.999
28	81.368
29	78.668
30	75.900
31	73.060
32	70.146
33	67.156
34	64.086
35	60.936
36	57.701
37	54.377
38	50.962
39	47.454
40	43.847
41	40.139
42	36.325
43	32.402
44	28.367
45	24.212
46	19.935
47	15.530
48	10.993
49	6.318

SCHEDULE 3

(To Lease of Railroad Equipment)

CERTIFICATE OF ACCEPTANCE NO.
UNDER LEASE OF RAILROAD EQUIPMENT
(U.C. TRUST NO. 12)

To: TRUST COMPANY FOR USL, INC.,
as Trustee under U.C. Trust No. 12
(the "Trustee")

The undersigned, UNION CARBIDE CORPORATION (the "Lessee") in its own corporate capacity and as the authorized agent of the Trustee under the Acquisition Agreement dated as of March 1, 1975 between the Trustee and Lessee, does hereby certify for purposes of Sections 1.02 and 1.03 of the Lease of Railroad Equipment hereinafter referred to that it has inspected in accordance with the customary standards and procedures of the industry, received, approved and accepted delivery, on behalf of the Trustee under said Acquisition Agreement and on behalf of the Lessee under the Lease of Railroad Equipment dated as of March 1, 1975 between the Trustee and the Lessee, of the following Items of Equipment ("Equipment"):

Type of Equipment
Manufacturer
Place of Delivery
Date of Delivery
Number of Items
Marks and Numbers

The Lessee does further certify that the foregoing Equipment appears to be in good order and condition, and appears to conform to the specifications applicable thereto and to all applicable United States Department of Transportation requirements and specifications, and at the time of delivery to the Lessee there was plainly, distinctly, permanently and conspicuously marked in contrasting colors upon each side of each Item of Equipment the following legend in letters not less than one-half inch in height:

"Leased through United States Leasing International, Inc., as Agent for Trust Company for USL, Inc., Owner-Trustee and subject to a security interest recorded with the Interstate Commerce Commission".

The Lessee represents and warrants that the representations and warranties set forth in the Closing Certificate dated July 30, 1975 of the Lessee addressed to the Lessor, the Trustor and the Lenders have been re-examined and are true and correct as if made on and with respect to the date hereof.

The execution of this Certificate will in no way relieve or decrease the responsibility of the Manufacturer of the Equipment for warranties it has made with respect to the Equipment.

Dated:

UNION CARBIDE CORPORATION

By _____
Its _____

EXHIBIT A
(to Lease of Railroad Equipment)

**LEASE SUPPLEMENT NO.
(U.C. Trust No. 12)**

THIS LEASE SUPPLEMENT NO. _____ dated as of _____, 197 between Trust Company for USL, Inc., as Trustee under U.C. Trust No. 12 (the "Lessor") and Union Carbide Corporation (the "Lessee"),

WITNESSETH:

1. The Lessor and the Lessee have heretofore entered into a Lease of Railroad Equipment dated as of March 1, 1975 (the "Lease") providing for the execution and delivery of Lease Supplements substantially in the form hereof. The terms defined in the Lease shall have the same meanings when used herein.

2. The Lessee hereby acknowledges and confirms that the Items of Equipment identified in Schedule 1 hereto were delivered to and accepted by the Lessee under the Lease on the respective dates set forth in the Certificates of Acceptance for such Items previously delivered to the Lessor.

3. The Lessor and the Lessee hereby acknowledge and agree that Schedule 1 correctly sets forth the Primary Term of the Lease, the Total Cost, the Daily Interim Rent, the Periodic Rent and the Rent Payment Dates with respect to the Items of Equipment.

The execution of this Lease Supplement shall in no way affect the responsibility or liability of (i) the Manufacturer of the Equipment for warranties or other agreements it has made with respect to the Equipment or (ii) any other person other than the Trustor and the parties to the Operative Documents referred to in the Trust Agreement.

Dated:

TRUST COMPANY FOR USL, INC.,
as Trustee under U.C. Trust No. 12

By _____
Its _____
Lessor

UNION CARBIDE CORPORATION

By _____
Its _____
Lessee

**EXHIBIT B
(to Lease of Railroad Equipment)**

SCHEDULE 1
(to Lease Supplement No.)
(U.C. Trust No. 12)

Description of Items of Equipment,
including car numbers:

Manufacturer:

Total Cost: \$ per Item of Equipment or
an aggregate Total Cost of \$

Interim Term: Beginning on the date of acceptance and
terminating on the date of commencement
of the Primary Term

Daily Interim Rent: \$ per day commencing
on the date hereof per Item of Equipment or
an aggregate of \$ payable
on the date of commencement of the Pri-
mary Term

Primary Term: Beginning on and
terminating on

Periodic Rent for Primary Term: Payable in fifty semiannual installments
with the first installment in the amount of
\$ per Item of Equipment
or an aggregate of \$ on the
thirtieth day of , 197 , followed
by 49 installments of \$ per
Item of Equipment or an aggregate of
\$ on the thirtieth day of
each January and July thereafter